



Press Release

Titanium Equipment and Anode Manufacturing Company Private Limited November 01, 2023 Rating Reaffirmed

Product	Amt(Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	64.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	90.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.90.00 Cr bank facilities of Titanium Equipment & Anode Manufacturing Company Private Limited (TEAMCPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of TEAMCPL takes into account stable operating income of FY2023 and the company's financial risk profile which continues to remain healthy marked by healthy net-worth, low gearing and comfortable debt protection metrics. The rating also draws comfort from company's experienced management with an established track record of operations and its reputed clientele. The rating is however constrained by the company's working capital-intensive nature of operations and decline in the operating margins. Going forward, ability of TEAMCPL to improve its scale of operations and operating margins, while improving and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

TEAMCPL is part of the TEAM group incorporated in 1975. The company is based in Chennai and its operations are managed by Mr. Suresh Krishnamurthi Rao (Managing Director). The company is engaged in designing and manufacturing of engineering equipment such as heat exchangers, reactors, pressure vessels, pumps & blowers, piping and custom designs as per end user requirements. It has also ventured into other business segments such as ultra-filtration and water purification and distribution business. The engineering and UF membrane divisions of the company are located at Vandalur, Chengalpeta, and Tamilnadu which is spread across 7 acres of land. The company is an ASME U, U2 & ISO 9001:2000 certified company. Its products are unique and are applied in various industries like oil and gas, pharmaceuticals, fertiliser, chemicals, power and defence sectors.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of TEAMCPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

TEAMCPL, incorporated in 1975, is engaged in design and fabrication of engineering equipment, such as high-pressure titanium and stainless-steel storage tanks/vessels and heat exchangers. In terms of revenue mix, ~60 percent of the revenue is generated from heat exchangers, ~35 percent from UF Membrane and ~5 percent from packed drinking water divisions. The long track record of company's operations and established relationship with its reputed customer profile has helped the company in procuring repeat orders from various entities such as SRF Limited, Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Department of Atomic Energy, Government of India, Thyssenkrupp Industrial Solutions India Private Limited, Naval Physical amongst others.

Acuité believes that TEAMCPL's business risk profile is expected to improve further over the medium term supported by industry experience and domain knowledge of the management, long-standing relationship with its clientele, geographical reach and established track record of operations.

Healthy financial risk profile

Financial risk profile of TEAMCPL is healthy marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net-worth of the company stood healthy at Rs.97 Cr as on 31 March, 2023 as against Rs.91 Cr as on 31 March, 2022 due to accretion of profits to reserves. The gearing (debt-equity) stood marginally increased at 0.07 times as on 31 March, 2023 as against 0.02 times as on 31 March, 2022 due to an increase in the company's overall debt of Rs.7 Cr in FY2023 as against Rs.1 Cr in FY2022 which comprises of only short term bank borrowings for the purpose of working capital requirement. The gearing is however expected to improve and remain low over the medium term in the absence of any significant debt-funded capex plan.

The interest coverage ratio though moderated, however remained comfortable at 4.48 times for FY2023 as against 8.46 times for FY2022, whereas the DSCR stood improved at 7.28 times for FY2023 as against 4.39 times for FY2022. The Net Cash Accruals to Total debt stood declined at 1.05 times for FY2023 as against 3.01 times for FY2022. The Total outside liabilities to Tangible net worth stood at 0.27 times for FY2023 as against 0.25 times for FY2022. The Debt-EBITDA ratio stood increased at 1.34 times for FY2023 as against 0.16 times for FY2022.

Acuité believes that the financial risk profile of TEAMCPL will remain healthy over the medium term due to its low gearing, healthy tangible net worth and comfortable debt protection metrics.

Weaknesses

Working capital intensive operations

The working capital operations of TEAMCPL are highly intensive marked by its Gross Current Assets (GCA) of 335 days for FY2023 which stood increased as against 302 days for FY2022. This is due to the inventory and receivables cycle of the company which remained elongated at 199 days and 122 days for FY2023 as against 140 days and 113 days for FY2022. The operations of the company are project based and the gestation period is around 12 months due to which the work in progress inventory of the company is usually high. The company receives around 10 percent of the advance payments from the customers and the remaining is received upon completing the dispatch of the orders, however considering the high gestation period, the balance receivables also get affected and therefore the debtors cycle remains elongated. Further, the creditors cycle of the company stood improved at 85 days in FY2023 as against 93 days in FY2022 and the average bank limit utilization for 6 months' period ended September 2023 stood at ~42 percent.

Acuité believes that the ability of TEAMCPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Declining operating profitability albeit stable operating income

TEAMCPL generated stable operating income of Rs.84 Cr in FY2023 as against Rs.80 Cr in FY2022 based on its stable demand from the domestic market towards supplying of chemical equipment & accessories as well as in the water segment. Orders from domestic market contributed ~97 percent of the overall revenue whereas the orders from export markets towards the supply of UF Membrane has remained lowest at ~3 percent of the overall revenue.

However, the operating margin of the company which were already affected at 7.17 percent during FY2022 as against 13.44 percent during FY2021, continued to remain further declined at 3.66 percent in FY2023 on account of subsequent decrease in the amount of export orders of UF Membrane over the last two years as against FY2021 as well as increase in the cost of raw materials, employee cost and other operating expenses. On the other hand, the net profit margin of the company stood improved at 6.88 percent in FY2023 as against 3.37 percent in FY2022 on account of excess reversal of deferred tax liability provision during the year.

For the current year as of 6M FY2024, company has achieved revenue of Rs.52 Cr as against Rs.34 Cr during 6M FY2023. Going forward, as of September 2023, company has an unexecuted order book of ~Rs.167 Cr which is expected to be executed over the next 1 or 2 years which provides adequate revenue visibility over the medium term. The order values however remain volatile on a year-on-year basis as it is completely dependent upon the customers requirement in the key sectors such as power, fertiliser, oil and gas as per their expansion plans if any.

Acuité believes that the ability of TEAMCPL to increase its scale of operations while improving the operating margins will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to improve scale of operations and operating margins
- Ability to improve and maintain an efficient working capital cycle

All Covenants

Not Available

Liquidity Position - Adequate

TEAMCPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.5 Cr to Rs.8 Cr during FY2021 to FY2023 against its debt repayment obligation of ~Rs.0.18 Cr during the same period. Going forward, the NCA are expected in the range of Rs.5 Cr to Rs.9 Cr for the period FY2024-FY2025 against no debt repayment obligation during the same period. However, the working capital operations of the company are highly intensive marked by its gross current asset (GCA) days of 335 days for FY2023. The average bank limit utilization for 6 months' period ended September 2023 stood at ~42 percent. Current ratio stands at 3.77 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.3 Cr in FY2023.

Acuité believes that the liquidity of TEAMCPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that TEAMCPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations, reputed clientele and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

Not applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	83.52	80.45
PAT	Rs. Cr.	5.75	2.71
PAT Margin	(%)	6.88	3.37
Total Debt/Tangible Net Worth	Times	0.07	0.02
PBDIT/Interest	Times	4.48	8.46

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Aug 2022	Cash Credit	Long Term	16.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	24.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
01 Jun 2021	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	16.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	24.00	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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